

### **Social Networks and Online Communities**

- Internet began as communications medium for scientists
- Early communities were bulletin boards, newsgroups; e.g.: the Well
- Today social networks, photo/video sharing, blogs have created new era of online socializing
- Social networks now one of most common Internet activities

### **What Is an Online Social Network?**

- Working definition
  - Group of people
  - Shared social interaction
  - Common ties
  - Sharing an area for period of time

### **The Growth of Social Networks and Online Communities**

- Top 10 social networks account for over 90% social networking activity
- Facebook users: Over 50% are 35+
- Annual advertising revenue
  - U.S. social network sites: \$3.1 billion
  - Top four portal/search engines: \$17.5 billion

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### **Turning Social Networks into Businesses**

- Social networks monetizing audiences through advertising
- Business use of social networks
  - Marketing and branding tool
    - Facebook pages, "fans"
    - Twitter feeds
  - Listening tool
    - Monitoring online reputation

### **Types of Social Networks**

- General communities
- Practice networks
- Interest-based social networks
- Affinity communities
- Sponsored communities

### **Social Network Features and Technologies**

- Profiles
- Friends network
- Network discovery
- Favorites
- Games, widgets, apps
- E-mail
- Storage
- Instant messaging
- Message boards

## BUS 168 - Chapter 10

### Social Networks, Auctions, and Portals

- Online polling
- Chat
- Discussion groups
- Experts online
- Membership management tools

#### **The Future of Social Networks**

- Facebook's growth has slowed
- Growth of social networks focused on specific shared interests
- Network fatigue
  - Reuter study shows Facebook users spending less time on the site
- Financial future
  - Relationship between sales and Likes unclear

#### **Online Auctions**

- Online auction sites are among the most popular C2C sites on the Internet
- eBay: Market leader
- Several hundred different auction sites in United States alone
- Established portals and online retail sites increasingly are adding auctions to their sites

#### **Defining and Measuring the Growth of Auctions and Dynamic Pricing**

- Dynamic pricing
  - Airline tickets, coupons, college scholarships
  - Prices based on demand characteristics of customer and supply situation of seller
- Auctions: type of dynamic pricing
  - C2C auctions
  - B2C auctions
  - Also used to allocate resources, allocate and bundle resources

#### **Benefits of Auctions**

- Liquidity
- Price discovery
- Price transparency
- Market efficiency
- Lower transaction costs
- Consumer aggregation
- Network effects

### **Risks and Costs of Auctions for Consumers and Businesses**

- Delayed consumption costs
- Monitoring costs
- Equipment costs
- Trust risks
  - Possible solution—rating systems
- Fulfillment costs

### **Market-maker Benefits**

- No inventory
- No fulfillment activities
  - No warehouses, shipping, or logistical facilities
- eBay makes money from every stage in auction cycle
  - Transaction fees
  - Listing fees
  - Financial services fees
  - Advertising or placement fees

### **Types of Auctions**

- English auctions
  - Single item up for sale to single seller
  - Highest bidder wins
- Traditional Dutch auction
  - Uses a clock that displays starting price
  - Clock ticks down price until buyer stops it
- Dutch Internet auction
  - Public ascending price, multiple units
  - Final price is lowest successful bid, which sets price for all higher bidders
- Name Your Own Price Auctions
  - Users specify what they are willing to pay for goods or services and multiple providers bid for their business
  - Prices do not descend and are fixed
    - Consumer offer is commitment to buy at that price
  - Enables sellers to unload unsold excess capacity
  - e.g.: Priceline
- Group buying auctions (demand aggregators)
  - Group buying of products at dynamically adjusted discount prices based on high volume purchases
  - Two principles
    - Sellers more likely to offer discounts to buyers purchasing in volume
    - Buyers increase their purchases as prices fall
- Professional service auctions
  - e.g.: Elance.com

### **When Auction Markets Fail: Fraud and Abuse in Auctions**

- Possible abuses and frauds
  - Bid rigging, price matching, shill feedback, etc.
- Internet auto-auction fraud one of top 10 types of fraud reported
  - Safeguards: rating systems, watch lists, proxy bidding

### **E-commerce Portals**

- Most frequently visited sites on Web
- Original portals were search engines
  - As search sites, attracted huge audiences
- Today provide:
  - Navigation of the Web
  - Commerce
  - Content (owned and others')
- Compete on reach and unique visitors
- Enterprise portals
  - Help employees find important organizational content

### **Types of Portals**

- General purpose portals
  - Attempt to attract very large general audience
  - Retain audience by providing in-depth vertical content channels
  - e.g.: Yahoo, MSN
- Vertical market portals
  - Attempt to attract highly-focused, loyal audiences with specific interest in:
    - Community (affinity group); e.g.: iVillage
    - Focused content; e.g.: ESPN.com

### **Portal Business Models**

- General advertising revenue
- Tenancy deals
  - Fixed charge for number of impressions, exclusive partnerships, "sole providers"
- Commissions on sales
- Subscription fees
  - Charging for premium content
- Applications and games